

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 16559
[REDACTED],	)	
	)	DECISION
Petitioner.	)	
_____	)	

On April 3, 2002, the staff of the Income Tax Audit Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayer), proposing income tax, penalty, and interest for the taxable year 1996 in the total amount of \$20,754.

On May 11, 2002, the taxpayer filed a timely appeal and petition for redetermination. The taxpayer did not request a hearing but did want to provide additional information for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The Income Tax Audit Bureau (Bureau) received information that showed the taxpayer sold real property in Idaho in 1996. The Bureau researched the Tax Commission's records and found the taxpayer did not file an Idaho individual income tax return for the taxable year 1996. Idaho Code section 63-3026A(3)(ii) states that income shall be considered derived from or relating to sources within Idaho when such income is attributable to or resulting from the ownership or disposition of any interest in real or tangible personal property located in Idaho.

The Bureau sent the taxpayer a letter asking him about the sale of the Idaho property and his requirement to file an Idaho income tax return. The taxpayer did not respond. After several failed attempts to contact the taxpayer, the Bureau reviewed the information available and determined the taxpayer was required to file an Idaho income tax return. The Bureau prepared a return for the taxpayer and sent him a Notice of Deficiency Determination.

The taxpayer protested the Bureau's determination. The taxpayer stated the Bureau did not consider the purchase price of the property, the cost of improvements, or the expenses related to the sale. The taxpayer stated the purchase price of the property was approximately \$158,000 and the cost of improvements and expenses related to the sale totaled approximately \$5,000. The taxpayer stated he believed there was no gain on the sale.

The Bureau acknowledged the taxpayer's protest and requested additional information from the taxpayer. The taxpayer did not respond. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission sent the taxpayer a letter giving him two options for having the Notice of Deficiency Determination redetermined. The taxpayer responded that he wanted to provide additional documentation to support the cost of the property and expenses related to the sale. The taxpayer stated he did not have the necessary documents but that he was attempting to get them from his realtor. The taxpayer provided a copy of a check showing his earnest money deposit with his realtor.

The Tax Commission obtained additional information from the Internal Revenue Service that showed what the taxpayer reported to the federal government for tax year 1996. The Tax Commission provided the information to the taxpayer, but he did not provide any details as to what was included in federal adjusted gross income.

Therefore, the Tax Commission reviewed the information available and came to the conclusion that the taxpayer did not owe any tax to Idaho. The Tax Commission determined that if all of the taxpayer's income for 1996 was Idaho source and thus reportable to Idaho, the taxpayer's exemptions and standard deduction would offset all his federal adjusted gross income. Furthermore, if the Tax Commission allowed the taxpayer the purchase price of the property and

reported the gain as Idaho income, the taxpayer's allowable portion of exemptions and standard deduction would still more than offset the taxpayer's Idaho adjusted income.

Therefore, the Tax Commission decided the Notice of Deficiency Determination dated April 3, 2002 should be cancelled.

WHEREFORE, IT IS ORDERED and THIS DOES ORDER that the Notice of Deficiency Determination dated April 3, 2002, directed to John Galloway, is hereby CANCELLED.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2003.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_ day of \_\_\_\_\_, 2003, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.

[Redacted]